

OPEN MEETING ITEM



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COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

ORIGINAL



ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: July 6, 2006

DOCKET NO.: W-02089A-06-0041

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Opinion and Order on:

BRADSHAW MOUNTAIN VIEW WATER COMPANY, INC.
(RATES)


Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

JULY 17, 2006

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for Open Meeting to be held on:

JULY 25 AND 26, 2006

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.


BRIAN C. McNEIL
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8 IN THE MATTER OF THE APPLICATION OF
9 BRADSHAW MOUNTAIN VIEW WATER
10 COMPANY, INC. FOR A PERMANENT RATE
11 INCREASE.

DOCKET NO. W-02089A-06-0041

DECISION NO. _____

ORDER

12 Open Meeting
13 July 25 and 26, 2006
14 Phoenix, Arizona

15 **BY THE COMMISSION:**

16 On January 24, 2006, Bradshaw Mountain View Water Company, Inc. ("Applicant" or
17 "Company") filed with the Arizona Corporation Commission ("Commission") an application for a
18 permanent rate increase in its water rates and charges.

19 On February 23, 2006, pursuant to A.A.C. R14-2-103, the Commission's Utilities Division
20 ("Staff") issued a notice of deficiency with respect to the Company's rate application.

21 On March 31, 2006, the Company filed additional data in support of its rate application.

22 On April 10, 2006, pursuant to A.A.C. R14-2-103, Staff issued a notice of sufficiency and
23 classified the Company as a Class D utility.

24 On June 26, 2006, Staff filed its report, recommending that Staff's proposed rates and charges
25 be approved.

26 * * * * *

27 Having considered the entire record herein and being fully advised in the premises, the
28 Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Pursuant to authority granted by the Commission, Applicant is an Arizona corporation
engaged in the business of providing water service in an area approximately three miles northwest of
the Town of Cordes Junction in Yavapai County, Arizona.

2. Applicant's present rates and charges for water were approved in Decision No. 55210 (September 18, 1986).

3. On January 24, 2006, the Company filed an application requesting authority to increase its rates and charges for water service.

4. Applicant provided notice to its customers of its proposed rate increase by first class U.S. mail and, in response thereto, no protests have been received by the Commission opposing Applicant's proposed increase.

5. On April 30, 2006, Staff filed notice that the Company's rate application had met the Commission's sufficiency requirements pursuant to A.A.C. R14-2-103.

6. During the test year ended March 31, 2005 ("TY"), Applicant served 514 metered customers, the majority of which are residential users who are served by 5/8" x 3/4" meters.

7. Average and median water usage by residential users during the TY were 6,141 and 4,273 gallons per month, respectively.

8. Staff conducted an investigation of Applicant's proposed rates and charges for water service and filed its Staff Report on the Company's rate application request on June 26, 2006, recommending that Staff's proposed rates and charges be approved. Staff is also recommending that the Company's service line and meter installation charges be increased and its other service charges be modified consistent with Staff's recommendations.

9. The water rates and charges for Applicant at present, as proposed in the Application and as recommended by Staff are as follows:

	Present Rates	Proposed Rates	
		<u>Company</u>	<u>Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$15.00	\$17.50	\$16.00
3/4" Meter	16.70	17.50	18.00
1" Meter	20.87	43.75	32.00
1 1/2" Meter	25.05	87.50	50.10
2" Meter	33.40	140.00	66.80
3" Meter	66.80	280.00	130.00
4" Meter	n/a	437.50	203.13
6" Meter	n/a	875.00	406.25

	Present Rates	Proposed Rates	
		<u>Company</u>	<u>Staff</u>
Commodity Rate (per 1,000 gallons)	\$2.50		
Gallons Included In Minimum	2,000	0	0
<u>Tiered Rates</u>			
0 to 3,000 Gallons		\$1.70	\$1.63
3,001 to 10,000 Gallons		\$2.50	\$2.45
All gallonage over 10,000 gallons		3.00	2.94
<u>SERVICE LINE AND METER INSTALLATION CHARGES:¹</u>			
5/8" x 3/4" Meter	\$120.00	Actual cost - non refundable	\$520.00
3/4" Meter	140.00	Actual cost - non refundable	600.00
1" Meter	180.00	Actual cost - non refundable	690.00
1 1/2" Meter	350.00	Actual cost - non refundable	935.00
2" Meter	460.00	Actual cost - non refundable	1,595.00
3" Meter	550.00	Actual cost - non refundable	2,275.00
4" Meter	n/a	Actual cost - non refundable	3,520.00
6" Meter	1,575.00	Actual cost - non refundable	6,275.00
<u>SERVICE CHARGES:</u>			
Establishment	\$15.00	\$40.00	\$40.00
Establishment (After Hours)	20.00	50.00	50.00
Reconnection (Delinquent)	n/a	45.00	45.00
Meter Test (If Correct)	25.00	40.00	40.00
Deposit	0.00	2 months average bill	*
Deposit Interest	0.00%	2.00%	*
Reestablishment (Within 12 Months)	6 times minimum	**	**
NSF Check	10.00	25.00	25.00
Deferred Payment (Per Month)	0.00%	1.50%	1.50%
Meter Reread (If Correct)	10.00	15.00	15.00
Late Fee (per month)	n/a	5.00	1.50%
<u>Monthly Service Charge for Fire Sprinklers:</u>			
4" or Smaller	0.00	0.00	***
6"	0.00	0.00	***
8"	0.00	0.00	***
10"	0.00	0.00	***
Larger than 10"	0.00	0.00	***

¹ Presently, the Company's service line and meter installation charges are refundable pursuant to A.A.C. R14-2-405. Applicant is proposing these charges be "actual costs" and non-refundable in violation of the Commission's rule. Staff is recommending these charges be refundable consistent with the rule.

* Per Commission rule A.A.C. R-14-2-403(B).

** Number of months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

*** 1.00% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

10. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined to be \$188,661 which is the same as its original cost rate base. The Company's FVRB reflects an increase by Staff of Applicant's proposed FVRB due in large part to an increase in Applicant's Net Plant of \$14,609.

11. Staff decreased Applicant's TY operating expenses by \$2,220 primarily due to adjustments which decrease the following Company expenses: \$1,929 for repairs and maintenance; \$1,824 for depreciation expense; and \$752 for purchased water. However, these decreases were partially offset by an increase of \$2,285 for water testing expense.

12. Applicant's present water rates and charges produced adjusted operating revenues of \$182,376 and adjusted operating expenses of \$182,849 which resulted in an operating loss of \$473 during the TY or no rate of return on FVRB.

13. The water rates and charges Applicant proposed would produce operating revenues of \$235,667 and adjusted operating expenses of \$182,849 resulting in net operating income of \$52,818 or a 27.99 percent rate of return on FVRB.

14. The water rates and charges proposed by Staff would produce operating revenues of \$215,215 and adjusted operating expenses of \$182,849 resulting in net operating income of \$32,366 or a 17.16 percent rate of return on FVRB.

15. Applicant's proposed rate schedule would increase the average monthly customer water bill by 20.1 percent, from \$25.35 to \$30.45, and the median monthly customer water bill by 24.7 percent, from \$20.68 to \$25.78.

16. Staff's recommended rates would increase the average monthly customer water bill by 12.7 percent, from \$25.35 to \$28.57 and increase the median monthly customer water bill by 16.1 percent, from \$20.68 to \$24.00.

17. According to the Staff Report, Applicant is in compliance with its Commission compliance action filings and prior Commission Orders. Additionally, according to Staff, Applicant

1 is current on the payment of its property taxes and its sales taxes, is providing water which meets the
2 requirements of the Safe Drinking Water Act and its water sources are well below the new arsenic
3 standard of 10 parts per billion.

4 18. The Company has previously had its Curtailment Tariff approved by the Commission.

5 19. According to the narrative review by Staff, Applicant is maintaining its books and
6 records in conformance with the National Association of Regulatory Utility Commissioners
7 ("NARUC") Uniform System of Accounts.

8 20. Staff is additionally recommending that the Commission order the following:

- 9
- 10 • that Applicant notify its customers of the water rates and charges approved hereinafter
11 and their effective date by means of an insert in its next monthly billing and file a copy
12 of the notice sent to its customers with the Compliance Section of the Utilities
13 Division ("Compliance Section");
 - 14 • that Applicant file, within 30 days of the effective date of this Decision, as a
15 compliance item in this docket, with the Commission's Docket Control, a copy of the
16 schedule of its approved rates and charges;
 - 17 • that the Company adopt the depreciation rates delineated in Exhibit 6 of the
18 Engineering Report attached to the Staff Report on a going forward basis;
 - 19 • that the Company continue to refund Service Line and Meter Installation Charges
20 pursuant to A.A.C. R14-2-405(B)(2); and
 - that Applicant, in addition to the collection of its regular rates and charges, collect
from its customers their proportionate share of any privilege, sales, or use tax as
provided for in A.A.C. R14-2-409(D).

21 21. Because an allowance for the property tax expense of Applicant is included in the
22 Company's rates and will be collected from its customers, the Commission seeks assurances from the
23 Company that any taxes collected from ratepayers have been remitted to the appropriate taxing
24 authority. It has come to the Commission's attention that a number of water companies have been
25 unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers,
26 some for as many as twenty years. It is reasonable, therefore, that as a preventive measure the
27 Company shall annually file, as part of its annual report, an affidavit with the Utilities Division
28 attesting that the company is current in paying its property taxes in Arizona.

22. Under the circumstances, after our review of the application and the Staff Report, we shall adopt Staff's recommended rates and charges. We also concur with Staff's additional recommendations and shall order their adoption hereinafter.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was provided in the manner prescribed by law.

4. Under the circumstances discussed herein, the rates and charges proposed by Staff and authorized hereinafter are just and reasonable and should be approved without a hearing.

5. Staff's recommendations, as set forth in Findings of Fact No. 20, are reasonable and should be adopted.

6. Based on our findings and in light of Staff's recommendations, no hearing is necessary.

ORDER

IT IS THEREFORE ORDERED that Bradshaw Mountain View Water Company, Inc. is hereby directed to file on or before August 1, 2006, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$16.00
3/4" Meter	18.00
1" Meter	32.00
1 1/2" Meter	50.10
2" Meter	66.80
3" Meter	130.00
4" Meter	203.13
6" Meter	406.25

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Commodity Rate (per 1,000 gallons)

0 to 3,000 Gallons	\$1.63
3,001 to 10,000 Gallons	2.45
All Gallonage over 10,000 Gallons	2.94

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

5/8" x 3/4"	\$520.00
3/4" Meter	600.00
1" Meter	690.00
1 1/2" Meter	935.00
2" Meter	1,595.00
3" Meter	2,275.00
4" Meter	3,520.00
6" Meter	6,275.00

SERVICE CHARGES:

Establishment	\$40.00
Establishment (After Hours)	50.00
Reconnection (Delinquent)	45.00
Meter Test (If Correct)	40.00
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
NSF Check	25.00
Deferred Payment (Per Month)	1.50%
Meter Reread (If Correct)	15.00
Late Fee (per month)	1.50%
<u>Monthly Service Charge for Fire Sprinkler</u>	

4" or Smaller	***
6"	***
8"	***
10"	***
Larger than 10"	***

* Per Commission rule A.A.C. R-14-2-403(B).

** Number of months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

*** 1.00% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that Bradshaw Mountain View Water Company, Inc. shall

1 notify its customers of the water rates and charges approved hereinafter and their effective date by
 2 means of an insert in its next monthly billing and file a copy of the notice when sent to its customers
 3 with the Compliance Section of the Utilities Division.

4 IT IS FURTHER ORDERED that the above water rates and charges shall be effective for all
 5 service provided after August 1, 2006.

6 IT IS FURTHER ORDERED that Bradshaw Mountain View Water Company, Inc. is hereby
 7 directed to comply with Staff's recommendations as set forth in Findings of Fact No. 20.

8 IT IS FURTHER ORDERED that Bradshaw Mountain View Water Company, Inc. shall
 9 annually file as part of its annual report, an affidavit with the Utilities Division attesting that the
 10 Company is current in paying its property taxes in Arizona.

11 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

13
 14
 15 CHAIRMAN

COMMISSIONER

16
 17
 18 COMMISSIONER

COMMISSIONER

COMMISSIONER

19
 20 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
 21 Director of the Arizona Corporation Commission, have
 22 hereunto set my hand and caused the official seal of the
 Commission to be affixed at the Capitol, in the City of Phoenix,
 this ____ day of _____, 2006.

23
 24 BRIAN C. McNEIL
 EXECUTIVE DIRECTOR

25
 26 DISSENT _____

27 DISSENT _____

28 MES:mj

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SERVICE LIST FOR: BRADSHAW MOUNTAIN VIEW WATER
COMPANY

DOCKET NO.: W-02089A-06-0041

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